

Instructions to File Consolidated Returns for Taxable Years Beginning on or after January 1, 2005 (rev. 10/05)

Note: For taxable years beginning on or after January 1, 2005 the law was changed such that consolidated groups that conduct 100% of their business in Georgia and who previously were not required to request permission must now request permission in the same manner as other consolidated groups. However, if such consolidated group requested permission for a taxable year beginning on or after January 1, 2002, they are not required to request permission again.

Regulation 560-7-3-.13 was adopted during 2002 and applies to tax years beginning on or after January 1, 2002. **The instructions below are intended to insure that returns process correctly and not to provide a comprehensive list of rules about consolidated returns.** Accordingly, you should read Regulation 560-7-3-.13 in addition to these instructions before completing your returns.

Mailing Address

The consolidated group Form 600 and each separate company Form 600 must be mailed together to the following address:

Georgia Taxpayer Services Division
P.O. Box 49432
Atlanta, GA 30359-1432

Designation of Member

As is mentioned on the Form IT-CONSOL, if the parent corporation is not included in the Georgia Group, please choose a corporation in the Georgia Group to act as the designated member. Please use the same corporation that you chose on the Form IT-CONSOL.

Preparation of the Separate Company Form 600's.

- (a) Each corporation within the Georgia consolidated group, including the parent corporation (designated member), will prepare a separate company Georgia Form 600. The corporation will indicate its name, federal identification number, address, etc., in the heading and mark the "Consolidated GA Return" box and the "GA Consolidated Subsidiary" boxes on the return (the parent should also mark both of these boxes on its separate company return). This means that two returns will be prepared that have the parent's (designated member's) name and federal identification number. One for the parent's (designated member's) separate company income and net worth and one for the consolidated group.
- (b) Each corporation will begin on Line 1 of Schedule 1 with its separate company federal taxable income or loss. It should make the appropriate additions to or subtractions from taxable income on Lines 2 and 4. In computing the separate company federal taxable income, capital losses of one entity cannot offset capital gains of another entity. Further, any computations which involve limitations, such as charitable contributions, must be treated on a separate company basis.
- (c) If the corporation qualifies to apportion its income (e.g., if it does business or owns property outside of Georgia) it will complete Schedule 6 and Schedule 7 to determine the amount of separate company Georgia taxable income or loss.

- (d) If the corporation has a Georgia separate return limitation year loss, or “GSRLY”, that loss would be reflected on either Line 6 of Schedule 1 if the corporation is not entitled to apportion, or Line 8 of Schedule 7 if the corporation is entitled to apportion.
- (e) The separate company income or loss must then be reflected on Line 7 of Schedule 1. This would be the amount from Line 9 of Schedule 7 (if the corporation qualifies to apportion) or Line 5 less Line 6 of Schedule 1.
- (f) On Line 8 of Schedule 1, the phrase “consolidated return” must be entered in the box where the income tax amount is usually entered. To the left of this box, the parent corporation’s (designated member’s) name and federal identification number must be entered.
- (g) Corporations that file a consolidated Georgia income tax return are required to report and pay the net worth tax on a separate company basis. Accordingly, each corporation must complete Schedule 2 on the separate company Form 600. **For 2005 tax years, the parent (designated member) now reports its networth on its separate company Form 600 instead of on the consolidated Group Form 600.**
- (h) Credits must be calculated on a separate company basis. Georgia credit forms must be attached to each separate company Form 600, and Schedule 9 of the separate company Form 600 must be completed if the corporation has tax credits. However, the amount from Line 6 of Schedule 9 should not be entered on Line 3, Column C of Schedule 3. It must be entered on the schedule discussed below in item (g) of the “Preparation of the Consolidated Group Form 600” section.

Additionally, a schedule must be attached indicating the amount of the credit allowed for each separate company after considering limitations based on a percentage of state income tax liability. The total from this schedule must be entered on the schedule discussed below in item (g) of the “Preparation of the Consolidated Group Form 600” section. Schedule 10 of the separate company Form 600 must be completed, if applicable.

For credit limitation purposes, net operating loss carryovers must be accounted for on a separate company basis. For example: A consolidated group consists of two corporations, Corporation A and Corporation B. In 2003, Corporation A has separate company apportioned taxable income of \$5,000. Corporation B has a separate company apportioned taxable loss of \$6,000. The consolidated group’s taxable loss is \$1,000. The consolidated group elects to carryforward the loss to 2004. In 2004, Corporation B will be treated, for credit limitation purposes, as having a \$6,000 net operating loss carryover which must be applied to its income before applying the percentage limitations.

- (i) Column B and Column C on Schedule 3 of each separate company Form 600 must be completed. The amount listed on Line 2, Column C of Schedule 3 must be the amount allocated to the corporation as listed on the payment transfer schedule (see below).

Preparation of the Consolidated Group Form 600

- (a) For each consolidated group, a consolidated group Form 600 must be completed. The parent corporation’s (designated member’s) name, federal identification number, address,

etc., must be listed on the consolidated group Form 600. Additionally, the “Consolidated GA Return” box on the return must be checked.

- (b) Lines 1 through 4 of Schedule 1 of the consolidated group Form 600 must be left blank. Additionally, Schedule 4, Schedule 5, Schedule 6, Schedule 7, and Schedule 8 of the consolidated group Form 600 must not be completed.
- (c) The separate company income or loss of each corporation in the Georgia consolidated group, as reflected on the separate company Form 600’s (Line 7 of Schedule 1), must be consolidated (totaled) on the consolidated group Form 600 and reflected on Line 5 of Schedule 1. A schedule must be attached to the consolidated group Form 600 which indicates the name, federal identification number, and separate company income or loss for each corporation.
- (d) Any consolidated Georgia net operating loss must be deducted on Line 6 of Schedule 1 to arrive at the consolidated group’s Georgia taxable income or loss on Line 7, and the consolidated group’s income tax, if appropriate, on Line 8.
- (e) The net worth tax for the parent corporation (designated member) is now computed on its separate company Form 600. As such Schedule 2 of the consolidated group’s Form 600 must be blank.
- (f) Columns A and C on Schedule 3 of the consolidated group Form 600 must be completed. Column B is left blank. The amount listed on Line 2, Column C of Schedule 3 must be the amount allocated to the corporation as listed on the payment transfer schedule (see below).
- (g) The total credits from Line 6, Schedule 9 of each separate company Form 600 must be entered on a schedule which is attached to the consolidated group Form 600. For each corporation, the schedule must show: 1) name; 2) federal identification number; 3) the total amount of the credit from Line 6 of Schedule 9; and 4) the amount of the credit allowed for each separate company after considering limitations based on a percentage of state income tax liability. The credits allowed must then be totaled and entered on Line 3, Column C of Schedule 3. Schedule 9 and Schedule 10 of the consolidated group Form 600 should not be completed.

Attachments

- (a) A pro forma federal return (computed on a separate company basis) must be attached to each separate company return.
- (b) Page 1 and 4 of the federal consolidated return, and all schedules which support page 1 and 4, must be attached to the consolidated group Form 600.
- (c) The approval letter must be attached to the front of the consolidated group Form 600. In years subsequent to the approval year, the approval letter for the year of approval should be attached to the front of the consolidated group Form 600.

Preparation of the Payment Transfer Schedule

A payment transfer schedule **must** be attached to each separate company Form 600 and to the consolidated group's Form 600. The first part of the payment transfer schedule must show the name, federal identification number, and amount paid by each corporation. The second part of the payment transfer schedule must show the name, federal identification number, and amount of payment that is allocated to each corporation.

Example of the Payment Transfer Schedule

Corporations making payments:

Parent Corp. (designated member) 58-0000000	\$10,000
Subsidiary Corp. 58-1111111	<u>\$ 5,000</u>
Total payments	\$15,000

Allocation of payments:

Parent Corp. (designated member) consolidated group return 58-0000000	\$14,500
Subsidiary Corp. 58-1111111	<u>\$ 500</u>
Total allocation of payments	\$15,000

Additional questions

If you have additional questions concerning these instructions, please call (404) 417-2409.